

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

OPEN MEETING ITEM



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DIRECTOR

ARIZONA CORPORATION COMMISSION

2000 MAR 14 P 1:50

SECURITIES DIVISION

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MEMORANDUM

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

TO: Chairman Carl J. Kunasek
Commissioner Jim Irvin
Commissioner William A. Mundell

FROM: Mark Sendrow *MS*
Director of Securities

DATE: March 9, 2000

RE: Docket No. S-03269A-99-0000, Bredeson, et al.

CC: Brian C. McNeil, Executive Secretary

Arizona Corporation Commission
DOCKETED

MAR 14 2000

DOCKETED BY *[Signature]*

Attached is a proposed default Order against Ronald John Hoover. Four individuals were named in the initial action, which was filed on May 18, 1999. Two individuals were served immediately with a Notice of Opportunity for Hearing, Lowell Robert Taylor and Patrick Robin Hogue. The Commission has issued Orders against those two Respondents. Respondent, James Bredeson, has not been located. Respondent, Ronald John Hoover, left the state and was not located, until recently, in Big Water, Utah. The Notice was personally served on Hoover by the Kane County Sheriff's office, Kanab, Utah. Hoover failed to request a hearing and has not responded in any manner to the Notice.

During late 1997 through April of 1998, Taylor, Hogue, Bredeson and Hoover sold investments under the d/b/a of Plus More Trust, located in Phoenix, Arizona. Hoover and Hogue were licensed or affiliated to sell certain products of WMA Securities, Duluth, Georgia. The products sold by the respondents through Plus More Trust were not approved by WMA. The products consisted of opportunities to invest money in medium term notes, purportedly traded by large European banks (the "PMT program"). The Securities Division alleged as part of its fraud allegations that such products, which offered investors up to 10% return per month, did not exist in the legitimate financial markets.

The four respondents raised at least \$1,091,500 through the sale of the PMT program. On November 23, 1998, WMA Securities entered into a Consent Order with the Commission whereby WMA paid restitution plus 10% interest to all known investors in the PMT program.

The current case was filed in order to obtain a return of any commissions from the individual salesmen. Hoover received at least \$14,450 in commissions on sales of \$528,500 in the PMT program. WMA Securities terminated Hoover's license shortly after the Division filed its Notice.

Since no amounts are due to investors, a penalty of \$24,450 is recommended to cover the commissions earned plus an additional \$10,000 fine.

Originator: Sharon Fox
AG Assigned: Robert Zumoff

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 CARL J. KUNASEK
3 Chairman
4 JIM IRVIN
5 Commissioner
6 WILLIAM A. MUNDELL
7 Commissioner

8 In the matter of

9 JAMES TROY BREDESON
10 1951 W. Camelback Rd., Ste. 270
11 Phoenix, AZ 85015

12 RONALD JOHN HOOVER
13 4215 N. Civic Center Blvd., #145
14 Scottsdale, AZ 85251

15 LOWELL ROBERT TAYLOR
16 a/k/a JIM TAYLOR
17 630 N. Pheasant Dr.
18 Gilbert, AZ 85236

19 PATRICK ROBIN HOGUE
20 2765 N. Scottsdale Rd. , #104-A
21 Scottsdale, AZ 85257,

22 Respondents.

) DOCKET NO. S-03269A-99-0000

) DECISION NO. _____

) **ORDER TO CEASE AND DESIST**
) **AND ORDER FOR**
) **ADMINISTRATIVE PENALTIES**
) **RE: RONALD JOHN HOOVER**

23 **I.**

24 **INTRODUCTION**

25 On May 18, 1999, the Securities Division ("Division") of the Arizona Corporation
26 Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order
for Relief ("Notice") against the above Respondents. The Notice specified that Respondents would
be afforded an opportunity for an administrative hearing on this matter upon filing a written request
with Docket Control of the Commission within ten days of receipt of the Notice. RONALD JOHN
HOOVER ("HOOVER") was served a copy of the Notice on May 18, 1999, by personal service
upon his wife at his home address as stated above. HOOVER failed to request a hearing.

II.

FINDINGS OF FACT

1. RONALD JOHN HOOVER, CRD #2308082, whose last known Arizona address was 4215 N. Civic Center Blvd., #145, Scottsdale, AZ 85251, and who currently resides at 706 William Dawes, Big Water, UT 84741, was at all relevant times a salesman for an entity known as Plus More Trust ("PMT"). HOOVER was licensed to sell securities in Arizona from January 29, 1996 through May 6, 1998, at which time HOOVER voluntarily terminated his license. During the time HOOVER was licensed, he was affiliated with WMA Securities of Duluth, GA. At all relevant times, HOOVER was a managing director, trustee, and salesman for PMT.

2. Beginning around November 1997 through at least April 1998, HOOVER offered and sold investment opportunities in the form of "Private Loan Contracts" between the investor as "lender" and PMT as "borrower" (the "PMT program"). Investors who provided PMT with funds were promised from 3 to 10% return per month on their investment for a period of 12 months. Investors were told that they could roll over their monthly returns, or a portion of them, to accumulate an even greater total on which to calculate the monthly interest. Investors were also provided with a repayment schedule that allowed for monthly withdrawals during the course of the PMT program.

3. Investors were told that their money would be used by PMT to invest in "medium term notes" issued by a top European bank. The notes would then be traded on secondary markets at substantial spreads, producing returns, which would allow PMT to pay high interest to investors.

4. Investors were told that the trading of medium term notes was "very much an insider game, thoroughly known and understood by a privileged few." Those connected with the European financial institutions were under "non-disclosure covenants for years." Thus, investors were told that there was not any publicity about the PMT program and how transactions were conducted. Only those "invited" could participate in PMT's program.

1 5. Investors received a "Private Loan Contract," a one page sample "loan repayment
2 schedule" and information about "High Yield Private Placements," before they invested. Investors
3 were not required to contribute to the management of their money in the PMT program. Investors
4 were given no information about who would manage their money, or where it would be deposited.
5 Investors were not provided with any track record for the PMT program, nor were they given any
6 financial statements or other background information about PMT or its principals.

7 6. At least 33 investors invested at least \$1,091,500 in the PMT program.

8 7. Some investors received monthly interest payments on their investment for a period
9 of three to seven months. Several of those investors decided to invest again after receiving
10 payments. After receiving monthly payments, some investors provided information about the PMT
11 program to friends and family members who also invested. The majority of investors decided to
12 "roll over" their monthly interest payments into their original investment. Those investors received
13 no payments back from PMT.

14 8. As the due dates for investors' 12-month contracts matured, investors who made
15 inquiry were told that there were delays in returning investor funds. Some investors were told that
16 the funds were being retrieved from overseas, or that the funds had reached the United States, but
17 were being held in New York, or that Respondent James Bredeson was on his way across the
18 country, paying investors as he passed through their cities on his way to Phoenix. By August 1998,
19 PMT had closed its business and Respondents did not return telephone calls.

20 9. HOOVER sold investments in the PMT program totaling \$528,500 for which he
21 received \$14,450 in commissions. By Order dated November 23, 1998, the Arizona Corporation
22 Commission entered into a Consent with WMA Securities, whereby PMT investors, who dealt with
23 Respondents, were repaid their principal plus interest as a result of, among other things, WMA
24 Securities' failure to supervise Respondents.

III.

CONCLUSIONS OF LAW

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3 1. The Commission has jurisdiction over these matters pursuant to Article XV of the
4 Arizona Constitution and the Securities Act of Arizona, A.R.S. § 44-1801, *et seq.* (Securities Act”).

5 2. From on or about November 1997, RONALD JOHN HOOVER offered and/or sold
6 securities in the form of notes, investment contracts or evidences of indebtedness, within and/or
7 from Arizona.

8 3. The securities referred to above were not registered under A.R.S. §§ 44-1871
9 through 44-1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been
10 made under A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not
11 offered or sold in exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule
12 or order promulgated by the Commission. This conduct violated A.R.S. § 44-1841.

13 4. In connection with the offers and sales of securities within and/or from Arizona,
14 RONALD JOHN HOOVER directly or indirectly: (i) employed a device, scheme or artifice to
15 defraud; (ii) made untrue statements of material fact or omitted to state material facts which were
16 necessary in order to make the statements made not misleading in light of the circumstances under
17 which they were made; and (iii) engaged in transactions, practices or courses of business which
18 operated or would operate as a fraud or deceit upon offerees and investors. HOOVER’S conduct
19 includes, but is not limited to, the following:

20 a) HOOVER failed to provide investors with any information about the background
21 and experience of PMT or its principals;

22 b) HOOVER failed to provide investors with the names, background and experience
23 of the individuals or institutions who would purportedly be trading medium term
24 notes with investor money;

25 c) HOOVER failed to provide investors with any accounting for the use of their
26 funds, or with any source of repayment;

- 1 d) HOOVER failed to disclose any risks in investing in the PMT program;
2 e) HOOVER failed to disclose fees or commissions connected with the sale of the
3 PMT program;
4 f) HOOVER failed to tell investors that the PMT program had not been approved
5 for sale by their dealer, WMA Securities, and that he was in effect "selling away"
6 from the firm by promoting the PMT program;
7 g) HOOVER misrepresented the PMT program as being a high yield, exclusive
8 trading program between European financial institutions, when in fact, such
9 programs do not exist in the legitimate financial markets.

10 This conduct violated A.R.S. § 44-1991.

11 **IV.**

12 **ORDER**

13 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission
14 finds that the following Order is appropriate, in the public interest and necessary for the protection of
15 investors.

16 1. IT IS HEREBY ORDERED, pursuant to A.R.S. § 44-2032, that Respondent
17 RONALD JOHN HOOVER permanently cease and desist from violating the Securities Act.

18 2. IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RONALD JOHN
19 HOOVER shall pay an administrative penalty of \$24,450, based upon return of commissions of
20 \$14,450 plus an additional \$10,000 in penalties. Payment shall be due upon entry of this Order.
21 Payment shall be made by cashier's check to the "State of Arizona" for deposit in the General Fund of
22 the state.

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1 3. IT IS FURTHER ORDERED that upon failure to make payment when due, interest
2 shall accrue upon default at the statutory rate of ten percent per annum.

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4
5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION
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8 CHAIRMAN

COMMISSIONER

COMMISSIONER

9
10 IN WITNESS WHEREOF, I, Brian C. McNeil, Executive
11 Secretary of the Arizona Corporation Commission, have
12 hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of
Phoenix, this ____ day of March, 2000.

13
14 _____
BRIAN C. McNEIL
Executive Secretary

15
16 _____
17 DISSENT
18 (SAF)

19 This document is available in alternative formats by contacting Cynthia Mercurio-Sandoval, ADA
20 Coordinator, voice phone number 602/542-0838, E-mail csandoval@cc.state.az.us.

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